

**Punjab Pension Fund**  
**Financial Statements**  
**for the year ended 30 June 2012**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
53 L. Guiberg III  
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## **Independent Auditors' Report to the Management Committee**

We have audited the annexed statement of assets and liabilities of **Punjab Pension Fund** ("the Fund") as at 30 June 2012 and the related income statement, statement of comprehensive income, cash flow statement and statement of movement in accumulated pension fund ("the financial statements") together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Fund's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of Punjab Pension Fund Act 2007 ("the Act") and Punjab Pension Fund Rules 2007 ("the Rules"). Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Fund as required by the Act and the Rules as well as other laws, to the extent these are applicable.
- b) in our opinion
  - i) the financial statements together with the notes forming part thereof have been drawn up in conformity with the Act and the Rules and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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- ii) the costs and expenses debited to the Fund were for the purpose of Fund's business and as specified in the Act and the Rules as well as other laws, to the extent these are applicable; and
- iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Fund.
- c) in our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Act and the Rules in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and its net income and cash flows for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date 05 DEC 2012

Lahore

KPMG Taseer Hadi & Co.  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Bilal Ali)

**Punjab Pension Fund**  
**Statement of Assets and Liabilities**  
*As at 30 June 2012*

	<i>Note</i>	2012 Rupees	2011 Rupees
<b>Assets</b>			
Operating fixed assets	4	263,179	291,558
Investments	5	9,703,882,047	9,942,212,532
Short term investments	6	150,000,000	-
Security Deposits - Central Depository Company		100,000	-
Accrued interest	7	434,446,734	404,296,172
Prepayments		239,580	228,188
Cash and cash equivalents	8	5,326,100,475	3,010,399,481
<b>Total assets</b>		<u>15,615,032,015</u>	<u>13,357,427,931</u>
<b>Liabilities</b>			
Trustee fee payable		337,369	-
Brokerage payable		75,000	71,025
Accrued expenses		712,106	1,427,233
<b>Total liabilities</b>		<u>1,124,475</u>	<u>1,498,258</u>
<b>Contingencies and commitments</b>	9	-	-
<b>Net assets</b>		<u>15,613,907,540</u>	<u>13,355,929,673</u>
Represented by:			
<b>Accumulated Pension Fund</b>		<u>15,613,907,540</u>	<u>13,355,929,673</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

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Lahore



General Manager



Private Member



Chairman

# Punjab Pension Fund

## Income Statement

For the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
<b>Income</b>			
Income from Term Deposit Receipts and Saving account		656,893,008	438,494,642
Income from Pakistan Investment Bonds		1,135,665,223	729,395,917
Income from Term Finance Certificates		78,151,459	52,320,054
Income from Market Treasury Bills		48,355,526	409,572,563
Other income		1,297	2,499
Capital (loss)/ gain		(1,966)	275,231
		<u>1,919,064,547</u>	<u>1,630,060,906</u>
<b>Expenditure</b>			
Operating expenses	10	19,640,015	18,314,025
Trustee Fee and custody charges		3,063,542	39,060
Brokerage expenses		22,616	166,566
		<u>22,726,173</u>	<u>18,519,651</u>
<b>Net income for the year</b>		<u><u>1,896,338,374</u></u>	<u><u>1,611,541,255</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.

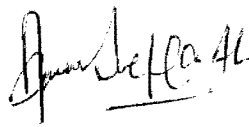
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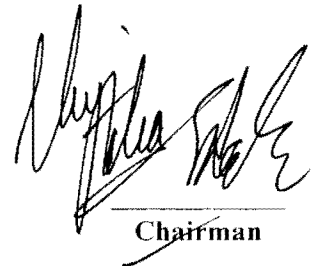
Lahore

General Manager

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Private Member



Chairman

Punjab Pension Fund  
Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 Rupees	2011 Rupees
Net income for the year	1,896,338,374	1,611,541,255
Net unrealized appreciation / (diminution) in fair value of available - for - sale investments	361,639,493	(308,871,047)
<b>Total comprehensive income for the year</b>	<b>2,257,977,867</b>	<b>1,302,670,208</b>

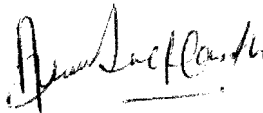
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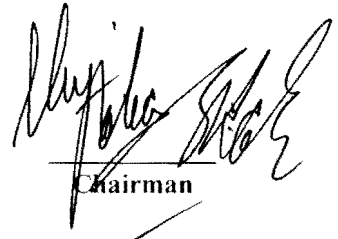


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General Manager



Private Member



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Punjab Pension Fund  
 Statement of Movement in Accumulated Pension Fund  
 For the year ended 30 June 2012

	2012 Rupees	2011 Rupees
<b>Balance at the beginning of the year</b>	13,355,929,673	12,053,259,465
<b>Total comprehensive income for the year</b>		
Net income for the year	1,896,338,374	1,611,541,255
Net unrealized appreciation / (diminution) in fair value of available - for - sale investments	361,639,493	(308,871,047)
	2,257,977,867	1,302,670,208
<b>Balance at the end of the year</b>	15,613,907,540	13,355,929,673

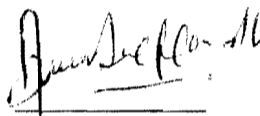
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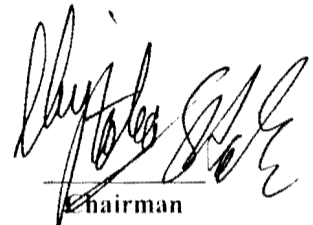


General Manager

Lahore



Private Member



Chairman

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# Punjab Pension Fund


## Cash Flow Statement

For the year ended 30 June 2012

	2012 Rupees	2011 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year	1,896,338,374	1,611,541,255
<b>Adjustments for non cash and other items:</b>		
Discount on Pakistan Investment Bonds	(24,634,884)	(8,279,672)
Discount on Marketable Treasury Bills	(6,592,363)	(21,502,246)
Discount on Term Finance Certificates	(1,636,021)	(1,150,063)
Depreciation	187,878	163,158
	(32,675,390)	(30,768,823)
<b>(Increase)/ decrease in assets:</b>		
Investments	632,833,246	(1,433,942,015)
Short term investments	(150,000,000)	-
Security Deposits - Central Depository Company	(100,000)	-
Prepayments	(11,392)	(5,940)
Accrued interest	(30,150,562)	(160,524,643)
	452,571,292	(1,594,472,598)
<b>Increase/ (decrease) in liabilities:</b>		
Trustee fee payable	337,369	-
Brokerage payable	3,975	(10,910)
Accrued expenses	(715,127)	1,050,750
	(373,783)	1,039,840
<b>Cash generated from/ (used in) operating activities</b>	<b>2,315,860,493</b>	<b>(12,660,326)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets additions	(159,499)	(90,700)
<b>Cash used in investing activities</b>	<b>(159,499)</b>	<b>(90,700)</b>
<b>Net increase/ (decrease) in cash and cash equivalents during the year</b>	<b>2,315,700,994</b>	<b>(12,751,026)</b>
Cash and cash equivalents at the beginning of the year	3,010,399,481	3,023,150,507
<b>Cash and cash equivalents at the end of the year</b>	<b>5,326,100,475</b>	<b>3,010,399,481</b>

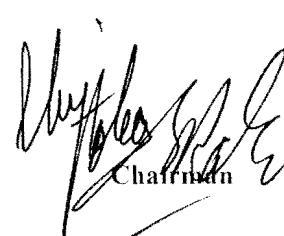
The annexed notes 1 to 14 form an integral part of these financial statements.

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General Manager

Lahore

  
Private Member

  
Chairman

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# Punjab Pension Fund

## Notes to the Financial Statements

For the year ended 30 June 2012

### 1 Status and nature of the business

The Punjab Pension Fund (the Fund) has been established under the Punjab Pension Fund Act 2007 (the Act) to generate revenue for the discharge of pension liabilities of the Government of Punjab. The Fund is a body corporate with perpetual succession. The Fund shall perform such functions and exercise such powers as are vested in it under the Act and the Punjab Pension Fund Rules 2007 (the Rules). The management and administration of the Fund vests in the Management Committee notified under section 5 of the Act.

On 27 September 2011, the Fund signed a Trust Deed with Central Depository Company whereby the Fund, through the Management Committee and the Trustee, have formed the Punjab Pension Fund Trust (the Trust) for the benefit of the Reserve Pension Fund created under Section 3 of the Act. The Fund shall manage, operate and administer the Trust and the Trustee will act as the custodian of the investments made by the Fund. The Trust shall be of a perpetual nature and shall continue until the Trust is dissolved upon receipt of directions from the Government of Punjab.

The Fund is responsible for investing the funds in profitable avenues to generate revenue. Currently, the Fund has invested in a diversified portfolio of government securities, debt securities and bank deposits.

These financial statements represent the merged position of the Fund. Financial Statements of the Trust are drawn separately.

Expenses incurred on operations of the Fund, including expenses relating to functioning of the Management Committee, are paid out of the trust property in the form of annual / supplementary budgets approved by the Management Committee.

### 2 Statement of compliance and significant disclosures

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007 differ with the requirements of these standards, the requirements of Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007 shall prevail.

#### 2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision effects only that year, or in the year of revision and future years if the revision affects both current and future years. The areas where various assumptions and estimates are significant to Fund's financial statements or where judgments were exercised in application of accounting policies are as follows:

a)	Useful life of depreciable assets	3.3
b)	Investments	3.4
c)	Accrued liabilities	3.8

### 3 Summary of significant accounting policies

#### 3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value and amortized cost.

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### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 July 2012. However, these are not relevant to the Fund except in few cases these may require additional disclosures.

- Amendments to IAS 12 - deferred tax on investment property.
- Amendments to IAS 19 - Employee Benefits.
- Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income
- Amendments IAS 27 - Separate Financial Statements (2011) - Disclosures.
- Amendments to IAS 28 - Investments in Associates and Joint Ventures (2011).
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities.
- Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities.
- Annual Improvements 2009–2011.
  - o *IAS 1 Presentation of Financial Statements*
  - o *IAS 16 Property, Plant and Equipment*
  - o *IAS 32 Financial Instruments: Presentation*
  - o *IAS 34 Interim Financial Reporting*
- Amendments to IFRIC 20 - Stripping cost in the production phase of a surface mining.

### 3.3 Fixed Assets and Depreciation

These are stated as cost less accumulated depreciation. Depreciation is charged to income by applying the straight line method so as to write off the operating fixed assets over their expected useful life at the rates given in note 4. Depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal or deletion of asset. Normal repairs and maintenance are charged to income statement as and when incurred.

Profit and loss on disposal of fixed assets represented by difference between the sale proceeds and the carrying amount of the assets is included in income statement.

### 3.4 Investments

The Fund classifies its investments as held to maturity, available-for-sale and at fair value through profit or loss

#### **Initial measurement**

All investments are initially recognized at cost being the fair value of the consideration given including acquisition cost, except in case of financial assets at fair value through profit or loss, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

#### **Subsequent measurement**

##### **Financial assets at fair value through profit or loss**

These include investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as financial assets at fair value through profit or loss. These are stated at fair values with any resulting surplus/(deficit) recognized in the income statement.

##### **Held to maturity**

The investments with fixed maturity or determinable payments where management has both intent and ability to hold to maturity are classified as held to maturity. These are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period is taken to the income statement.

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### Available-for-sale

Investments which can not be classified as loans and receivables, held to maturity or at fair value through profit or loss are classified as available-for-sale.

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates or equity prices are classified as available-for-sale.

Available-for-sale investments are measured at subsequent reporting dates at fair value. However investments for which fair value cannot be determined are valued at cost. Surplus/(deficit) on re-measurement is kept in accumulated pension fund, until the security is disposed off or is determined to be impaired, at which time, the cumulative surplus/(deficit) is included in the income statement.

Fair value of financial assets is determined as follows:

a) **Government securities**

Fair value of government securities is determined on the basis of rates announced by the Financial Market Association.

b) **National saving schemes**

Fair value of national saving schemes is determined on the basis of redemption value for each scheme.

c) **Debt securities**

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the Securities and Exchange Commission of Pakistan (SECP) Circular No. 1 of 2009 dated 6 January 2009.

d) **Listed shares**

Fair value of listed shares is determined on the basis of closing quoted market prices available at the Karachi stock exchange.

e) **Mutual Fund**

Fair value of mutual fund's units is determined with reference to the net asset value declared by the respective fund.

### 3.5 Revenue recognition

- a) Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- b) Dividend income is recognized when the Fund's right to receive dividend is established. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.
- c) Income on government securities, national saving schemes, bonds and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Income on bank deposits is recognized on accrual basis.

### 3.6 Financial instruments

- (i) Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Fund loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.
- (iv) Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to the income statement in the year in which it arises.
- (v) Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.
- (vi) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

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**Off setting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if the Fund has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**Provisions**

A provision is recognized in the statement of assets and liabilities when the Fund has legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

**Impairment**

The carrying amounts of the assets are reviewed at each reporting date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the income statement. Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income statement.

Provision for non-performing debt securities is made on the basis of time based criteria in accordance with the SECP Circular No. 1 of 2009 dated 6 January 2009.

As allowed under SECP Circular No. 13 of 2009 dated 4 May 2009, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Management Committee.

**3.10 Foreign currency translation**

Transactions denominated in foreign currencies are translated to Pak Rupee at the foreign exchange rate ruling at the date of transaction. Assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the reporting date. All exchange gains/losses are taken to the income statement.

**3.11 Spread transactions (Ready-Future Transactions)**

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the future market. The security purchased in ready market is classified as "Investment at fair value through profit or loss" and carried in the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the future market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard 39: 'Financial Instruments: Recognition and Measurement'.

**3.12 Regular way contracts**

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Fund commits to purchase or sell an asset.

**3.13 Transactions with related parties**

The Fund enters into transaction with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

**3.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents includes balances with banks.

**3.15 Taxation**

The income of the Fund is exempt from tax under Section 57(3)(xii) of Part I of the Second Schedule to the Income Tax Ordinance 2001, therefore no provision for taxation has been made in these financial statements.

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4 Operating fixed assets - tangible

30 June 2012								
Particulars	C O S T			D E P R E C I A T I O N				Written Down Value as at 30 June 2012
	As at 01 July 2011	Additions	As at 30 June 2012	Rate %	As at 01 July 2011	Charge for the year	As at 30 June 2012	
(Rupees)								
Furniture and fittings	42,900	-	42,900	20	8,661	8,580	17,241	25,659
Office equipment	371,194	159,499	530,693	33.33	248,050	140,586	388,636	142,057
Motor vehicles	193,558	-	193,558	20	59,383	38,712	98,095	95,463
	<u>607,652</u>	<u>159,499</u>	<u>767,151</u>		<u>316,094</u>	<u>187,878</u>	<u>503,972</u>	<u>263,179</u>

30 June 2011								
Particulars	C O S T			D E P R E C I A T I O N				Written Down Value as at 30 June 2011
	As at 01 July 2010	Additions	As at 30 June 2011	Rate %	As at 01 July 2010	Charge for the year	As at 30 June 2011	
(Rupees)								
Furniture and fittings	15,700	27,200	42,900	20	4,761	3,900	8,661	34,239
Office equipment	371,194	-	371,194	33.33	124,330	123,720	248,050	123,144
Motor vehicles	130,058	63,500	193,558	20	23,845	35,538	59,383	134,175
	<u>516,952</u>	<u>90,700</u>	<u>607,652</u>		<u>152,936</u>	<u>163,158</u>	<u>316,094</u>	<u>291,558</u>

5 Investments - Available for sale

	Note	Carrying value		Fair value	
		2012	2011	2012	2011
		Rupees		Rupees	
Pakistan Investment Bonds	5.1	9,066,775,622	8,552,654,739	9,052,357,959	8,189,937,742
Market Treasury Bills	5.2	138,920,364	1,254,497,246	138,870,340	1,254,032,300
Term Finance Certificates	5.3	489,094,654	487,608,633	512,653,748	498,242,490
		<u>9,694,790,640</u>	<u>10,294,760,618</u>	<u>9,703,882,047</u>	<u>9,942,212,532</u>
Fair value adjustment		9,091,407	(352,548,086)		
		<u>9,703,882,047</u>	<u>9,942,212,532</u>		

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5.1 Pakistan Investment Bonds

Issue date	Tenor - Years	Face value				Balance as at 30 June 2012			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2011	Purchase during the period	Sales / Matured during the period	As at 30 June 2012	Carrying value	Fair value	Appreciation / (diminution)		
(Rupees)										
30-Aug-08	10 - Years	500,000,000	-	-	500,000,000	486,005,096	476,194,430	(9,810,666)	4.63	4.91
3-Sep-09	10 - Years	3,050,000,000	-	-	3,050,000,000	2,985,966,766	2,882,305,345	(103,661,421)	28.00	29.70
22-Jul-10	10 - Years	2,300,000,000	-	-	2,300,000,000	2,073,539,971	2,160,621,193	87,081,222	20.99	22.27
18-Aug-11	10 - Years	-	500,000,000	-	500,000,000	466,088,210	466,933,802	845,592	4.54	4.81
31-Oct-06	15 - Years	68,000,000	-	-	68,000,000	57,120,710	56,279,751	(840,959)	0.55	0.58
30-Aug-08	15 - Years	1,400,000,000	-	-	1,400,000,000	1,340,480,101	1,333,615,578	(6,864,523)	12.96	13.74
18-Aug-11	15 - Years	-	25,000,000	-	25,000,000	23,438,272	23,548,146	109,874	0.23	0.24
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	865,448,943	871,784,798	6,335,855	8.47	8.98
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	21,046,923	20,385,769	(661,154)	0.20	0.21
20-Jan-04	20 - Years	5,000,000	-	-	5,000,000	4,140,814	4,030,540	(110,274)	0.04	0.04
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	743,499,816	756,658,607	13,158,791	7.33	7.80
		<b>8,998,000,000</b>	<b>525,000,000</b>	<b>-</b>	<b>9,523,000,000</b>	<b>9,066,775,622</b>	<b>9,052,357,959</b>	<b>(14,417,663)</b>		

5.2 Market Treasury Bills

Issue date	Tenor - Months	Face value				Balance as at 30 June 2012			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2011	Purchase during the period	Sales / Matured during the period	As at 30 June 2012	Carrying value	Fair value	Appreciation / (diminution)		
(Rupees)										
5-May-11	3 Months	450,000,000	-	450,000,000	-	-	-	-	-	-
2-Jun-11	3 Months	-	500,000,000	500,000,000	-	-	-	-	-	-
16-Jun-11	3 Months	-	84,000,000	84,000,000	-	-	-	-	-	-
10-Mar-11	6 Months	-	416,000,000	416,000,000	-	-	-	-	-	-
24-Mar-11	6 Months	-	975,000,000	975,000,000	-	-	-	-	-	-
21-Apr-11	6 Months	-	150,000,000	150,000,000	-	-	-	-	-	-
5-May-11	6 Months	450,000,000	-	450,000,000	-	-	-	-	-	-
2-Jun-11	6 Months	400,000,000	-	400,000,000	-	-	-	-	-	-
26-Jan-12	6 Months	-	140,000,000	-	140,000,000	138,920,364	138,870,340	(50,024)	1.35	1.43
		<b>1,300,000,000</b>	<b>2,265,000,000</b>	<b>3,425,000,000</b>	<b>140,000,000</b>	<b>138,920,364</b>	<b>138,870,340</b>	<b>(50,024)</b>		

5.3 Term Finance Certificates

Name of issuer	Issue date	Number of Certificates				Balance as at 30 June 2012			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2011	Purchase during the period	Sales / Matured during the period	As at 30 June 2012	Carrying value	Fair value	Appreciation / (diminution)		
(Rupees)										
United Bank Limited	14-Feb-08	5,000	-	-	5,000	23,501,203	25,172,160	1,670,957	0.24	0.26
Engro Perpetual I	18-Mar-08	40,000	-	-	40,000	180,973,939	190,200,000	9,226,061	1.85	1.96
Engro Perpetual II	18-Mar-08	6,800	-	-	6,800	30,300,968	33,566,194	3,265,226	0.38	0.35
Bank Alhabib Limited III	15-Jun-09	20,000	-	-	20,000	104,378,544	104,121,806	(256,738)	1.01	1.07
Bank Alhabib Limited IV	30-Jun-11	30,000	-	-	30,000	149,940,000	159,593,588	9,653,588	1.55	1.64
		<b>101,800</b>	<b>-</b>	<b>-</b>	<b>101,800</b>	<b>489,094,654</b>	<b>512,653,748</b>	<b>23,559,094</b>		
Grand Total						<b>9,694,790,640</b>	<b>9,783,882,047</b>	<b>9,091,407</b>		

*RK*

	Note	2012 Rupees	2011 Rupees
<b>6 Short term investments</b>			
Term Deposit Receipts	6.1	<u>150,000,000</u>	<u>-</u>
6.1 Term Deposit Receipts are placed with commercial banks for one year term at the rates 12.43% (2011: Nil) per annum.			
<b>7 Accrued interest</b>			
Accrued interest on:			
Term Deposit Receipts		9,941,636	4,691,781
Pakistan Investment Bonds		412,775,024	389,482,614
Term Finance Certificates		11,730,074	13,121,777
		<u>434,446,734</u>	<u>404,296,172</u>
<b>8 Cash and cash equivalents</b>			
Cash in hand		24,000	22,410
Cash at bank			
Saving account	8.1	<u>136,337,523</u>	<u>10,377,071</u>
Term deposit receipts	8.2	<u>5,189,738,952</u>	<u>3,000,000,000</u>
		<u>5,326,076,475</u>	<u>3,010,377,071</u>
		<u>5,326,100,475</u>	<u>3,010,399,481</u>
8.1 This carries interest @ of 11.00% (2011: 12.60%) per annum.			
8.2 Term Deposit Receipts are placed with commercial banks at the rates ranging from 12.20% to 14.00% (2011: 13.70% to 13.75%) per annum.			
<b>9 Contingencies and commitments</b>			
There were no contingencies and commitments as at 30 June 2012.			
<b>10 Operating expenses</b>			
Salaries and wages		15,369,837	14,321,595
Rent		1,350,360	1,306,800
Utilities		304,952	439,070
Repair and maintenance		295,694	275,750
Vehicle running expenses		451,745	422,777
Traveling, lodging and boarding		93,154	110,668
Fee and subscription		36,000	30,000
Printing and stationery		235,266	254,432
Courier and postage		6,882	19,089
Legal and professional		225,000	80,000
Office and other expenses		359,884	277,398
Depreciation		187,878	163,158
Auditors remuneration		635,000	440,000
Advertisement		6,680	38,181
Training and development		-	16,000
Bank charges		17,556	16,092
Miscellaneous		64,127	103,015
		<u>19,640,015</u>	<u>18,314,025</u>

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## 11 Financial instruments

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Management Committee has overall responsibility for the establishment and oversight of Fund's risk management framework. The Management Committee is also responsible for developing and monitoring the Fund's risk management policies.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Fund's activities.

### 11.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from debt securities held, term deposits, bank balances and profit/ markup recoverable, etc. Out of the total financial assets of Rs 15,614 million (2011: Rs 13,357 million) financial assets which are subject to credit risk amount to Rs 6,010 million (2011: Rs 3,523 million).

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	<u>2012</u>	<u>2011</u>
	<u>Statement</u>	<u>Statement</u>
	<u>of assets and</u>	<u>of assets and</u>
	<u>liabilities</u>	<u>liabilities</u>
	<u>Rupees</u>	<u>Rupees</u>
Bank balances	136,337,523	10,377,071
Investments	512,653,748	498,242,490
Short term investments	150,000,000	-
Term Deposit Receipts	5,189,738,952	3,000,000,000
Mark-up receivable	21,671,710	14,813,558
	<u>6,010,401,933</u>	<u>3,523,433,119</u>

Differences in the balances as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs 9,604 million (2011: Rs 9,834 million) relates to investments in Government Securities which are not considered to carry credit risk.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 61.50 % of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2012		2011	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	5,486,018,111	91.28%	3,012,068,852	85.49%
Miscellaneous	524,383,822	8.72%	511,364,267	14.51%
	<b>6,010,401,933</b>	<b>100%</b>	<b>3,523,433,119</b>	<b>100%</b>

#### Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker or bank to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

#### 11.2 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Fund has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities:

	30 June 2012				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	-----Rupees-----				
Trustee fee payable	337,369	337,369	-	-	-
Brokerage payable	75,000	75,000	-	-	-
	<b>412,369</b>	<b>412,369</b>	-	-	-
	-----Rupees-----				
	30 June 2011				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	-----Rupees-----				
Brokerage payable	71,025	71,025	-	-	-
Accrued expenses	1,427,233	1,427,233	-	-	-
	<b>1,498,258</b>	<b>1,498,258</b>	-	-	-

#### 11.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will effect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Management Committee and regulations laid down by the Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007. The maximum risk resulting from financial instruments equals their fair values.

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### 11.3.1 Interest rate risk

11.3.1.1 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government securities, term finance certificates, term deposit receipts with banks and balance with bank on saving account. Currently all of the Fund's investment carry fixed interest rates except for investments in some of the Term Finance Certificates. In addition the Fund may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

11.3.1.2 At 30 June, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

#### Financial assets

	2012	2011	2012	2011
	Effective rate (in Percentage)		Fair value Rupees	
<b><u>Fixed rate instruments</u></b>				
Market Treasury Bills	11.97	13.74 to 14.16	138,870,340	1,254,032,300
Pakistan Investment Bonds	12.84 to 14.57	13.06 to 14.58	9,052,357,959	8,189,937,742
Term Finance Certificates	15.03 to 15.73	15.0 to 19.22	263,715,394	251,112,261
Term Deposit Receipts	12.20 to 14.00	13.70 to 13.75	5,189,738,952	3,000,000,000
Bank balances	11.00	12.6	136,337,523	10,377,071
Short term investments	12.43	-	150,000,000	-
			<b>14,931,020,168</b>	<b>12,705,459,374</b>

#### Variable rate instruments

	<b>KIBOR + 0.85</b>	KIBOR + 0.85 to		
	<b>to KIBOR + 1.7</b>	KIBOR + 1.7		
Term Finance Certificates			248,938,354	247,130,229

#### Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect income statement.

#### Cash flow sensitivity analysis for variable rate instruments

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
<b>As at 30 June 2012</b>		
Cash flow sensitivity-Variable rate financial asset	<b>2,489,384</b>	<b>(2,489,384)</b>
<b>As at 30 June 2011</b>		
Cash flow sensitivity-Variable rate financial asset	2,471,302	(2,471,302)

None of the financial liabilities carry any interest rate.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Fund.

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## Related party transactions

The related parties comprise local associated companies, related group companies, Management Committee members of the Fund, Company where Management Committee members also hold directorship, and key management employees. The Fund in the normal course of business carries out transactions with related parties. Amounts due from related parties are shown under accrued interest and cash and cash equivalents. Details of transactions with related parties are as follows:

	2012 Rupees	2011 Rupees
<b>Transactions with The Bank of Punjab</b>		
Investments in Term Deposit Receipts	2,800,000,000	12,950,000,000
Maturities in Term Deposit Receipts	2,500,000,000	13,450,000,000
Accrued interest on Term Deposit Receipts	1,055,738	938,356
Cash at bank	118,927,301	10,377,071
Income from Term Deposit Receipts and Saving Account	382,222,284	437,741,217
<b>Transactions with Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Trustee fee expense	3,041,519	-
Custody fee - CDS Charges	22,023	39,060
Security Deposits - Central Depository Company	100,000	-

## 13 Date of authorization for issue

The financial statements were authorized for issue on 05 DEC 2012 by the Management Committee of the Fund.


## 14 General

Figures have been rounded off to the nearest rupee.

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Lahore

05 DEC 2012



General Manager



Private Member



Chairman